



DEPARTMENT OF HOMELAND SECURITY

Office of Inspector General
Oakland Field Office – Audits Division
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Oakland, California 94607-4052

June 20, 2003

MEMORANDUM

TO: Jeff Griffin, Regional Director, FEMA Region IX

Robert J. Lastrico

FROM: Robert J. Lastrico, Field Office Director

SUBJECT: Los Angeles County Fire Department
Los Angeles, California
Public Assistance Identification Number 037-91028
FEMA Disaster Number 1005-DR-CA
Audit Report Number DO-13-03

The Office of Inspector General (OIG) audited public assistance funds awarded to the Los Angeles County Fire Department, Los Angeles, California (Department). The objective of the audit was to determine whether the Department expended and accounted for Federal Emergency Management Agency (FEMA) funds according to Federal regulations and FEMA guidelines.

The Department received an award of \$4.2 million from the California Office of Emergency Services (OES), a FEMA grantee, for damage resulting from wildland fires and subsequent damage from soil erosion, landslides, flooding, and mudslides that occurred from October 26, 1993, through April 22, 1994. The award provided 75 percent FEMA funding for six large projects and eight small projects.¹ The audit covered the period from October 26, 1993, to March 14, 2001, and included the review of three large projects with a total award of \$4.0 million (see Exhibit).

The OIG performed the audit under the authority of the Inspector General Act of 1978, as amended, and according to generally accepted government auditing standards. The audit

¹ Federal regulations in effect at the time of the disaster defined a large project as one costing \$42,400 or more and a small project one costing less than \$42,400.

included review of FEMA's, OES', and the Department's records, tests of the Department's accounting records, a judgmental sample of project expenditures, and other auditing procedures considered necessary under the circumstances.

RESULTS OF AUDIT

The Department's claim included questionable costs of \$771,853 (FEMA's share - \$578,890). The questionable costs consisted of \$709,132 of unsupported labor costs, \$43,222 of ineligible project costs, \$12,432 of unsupported equipment costs, \$5,962 of duplicate equipment costs, and \$1,105 of costs covered by another Federal agency. Additionally, as discussed in "Other Matters" below, the OIG found \$511,409 of unreimbursed labor costs submitted by the Department and not paid by FEMA due to inadvertent errors during the project close out process. However, of that amount, \$242,519 was unsupported and \$6,808 was ineligible for FEMA funding.

Finding A - Unsupported Labor Costs

The Department's claim for project 06279 included \$709,132 of unsupported labor costs (\$670,574 for overtime and \$38,558 for associated fringe benefits). For this project, the Department claimed \$2,999,015 and received an award of \$2,487,606 for firefighter labor costs incurred during the October 1993 firestorms (see the "Other Matters - Unreimbursed Labor Costs" section of this report for an explanation of the difference between claimed and awarded amounts). The Department's documentation for claimed labor costs was based on reports derived from an electronic timekeeping and payroll system installed by the Department in March 1993. However, the Department was unable to provide confirmation that the electronic system had been tested for accuracy and data output from the system was reliable. Additionally, the Department could neither replicate nor provide details from the electronic system to validate claimed labor costs due to the age of the data.

The OIG requested alternative sources of documentation to validate claimed labor costs. The Department provided Incident Activity Records that recorded when fire crews and engines were dispatched to and returned from firefighting duties. The employee's name, employee identification number, date, location, and hours worked from the Incident Activity Records were compared with similar data in the electronic system reports. When Incident Activity Records supported more employee hours worked than electronic system reports, the OIG used the higher figures in the Incident Activity Records. This comparison showed that \$1,563,712 of the \$2,487,606 awarded to the Department was unsupported. The Department disagreed with the OIG's methodology and attributed a majority of the unsupported labor costs to a lack of available Incident Activity Records.

Subsequently, the Department's Information Management Division (IMD) located backup tapes for data in its electronic timekeeping and payroll system. While the reliability of the

additional documentation provided from those backup tapes could not be ascertained as discussed above, the documentation did provide a better picture for some of the labor costs in question (e.g., codes designating disaster locations, daily records of straight time and overtime hours worked, supervisors certification of hours worked by employees, and notations relating to hours worked during the disaster event). The Department requested the OIG to accept this additional documentation in place of the reportedly missing Incident Activity Records.

The OIG accepted the additional documentation provided by IMD as a mutually agreed alternative methodology to validate the Department's claimed labor costs. However, even with the additional documentation, \$709,132 of the \$2,487,606 awarded to the Department remained unsupported. Examples of unsupported labor costs included work associated with non-disaster locations, backfill labor at fire stations, and work not identified to a specific firefighting activity.

According to Title 44, Code of Federal Regulations, Section 13.20(b)(6) [44 CFR 13.20(b)(6)], accounting records are required to be supported by source documents. Thus, \$709,132 claimed by the Department for labor costs on project number 06279 was unsupported and therefore, questionable.

Finding B - Ineligible Project Costs

The Department's claim for two projects included \$43,222 of ineligible project costs incurred outside the disaster event period that began on October 26, 1993, and ended on April 22, 1994. Details are provided below.

- For project 06279, the Department claimed \$34,392 for labor costs that were worked and paid for the pay period ended October 15, 1993, 11 days prior to the disaster event.
- For project 06728, the Department claimed \$8,830 for services and supplies that were ordered prior to the disaster event and received after firefighting activities had ceased. For example, the Department claimed \$7,760 for firefighter gloves purchased on September 28, 1993, 1 month prior to the fires. The gloves were received on January 13, 1994, 2 months after firefighting activities ceased on November 11, 1993. Further, the Department had no documentation to show that the gloves received replaced those used during the event.

According to 44 CFR 206.223(a), to be eligible for financial assistance, an item of work must be required as a result of a major disaster event. Thus, the \$43,222 claimed by the Department for services and supplies incurred outside the disaster event was an ineligible project cost and therefore, questionable.

Finding C - Unsupported Equipment Costs

The Department's claim for project 06728 included \$12,432 of unsupported equipment costs. According to 44 CFR 13.20(b)(6), accounting records are required to be supported by source documents. The Department's claim was based on 8,654 hours of fire engine usage, but Incident Activity Records only supported 8,210 hours. The unsupported hours equaled \$12,432 in claimed costs (444 hours related to 12 fire engines times FEMA's equipment rate of \$28 per hour) and were questionable.

Finding D - Duplicate Equipment Costs

The Department's claim for project 06728 included \$5,962 of duplicate equipment costs. The Department claimed \$14,823 to operate heavy equipment vehicles on the project and accumulated the costs as subtotals under cost codes designating the location where equipment was used. The subtotal shown for cost code 07 in the Department's Resource Information Summary spreadsheet was \$7,607. However, this amount included the \$5,962 subtotal for cost code 10, which was shown as a separate subtotal in the supporting documentation for the summary spreadsheet. The actual subtotal shown for cost code 07 was \$1,645. Because the subtotal for cost code 10 was added twice in the \$14,823 claimed for equipment costs, a duplication of benefits resulted. Therefore, \$5,962 (\$7,607 minus \$1,645) claimed by the Department for equipment costs on project number 06728 was questionable.

Finding E - Costs Covered by Another Federal Agency

The Department's claim for project 06728 included \$1,105 of costs covered by another Federal agency. As a result of the firestorms' destruction of vegetative cover, the Department's Forestry Division entered into an agreement with the United States Department of Agriculture, Soil Conservation Service (SCS) for emergency soil erosion control by seeding 5,116 acres in the Los Angeles County jurisdiction and 2,187 acres in the City of Malibu. The Department claimed \$1,105 for seeding materials (fertilizer/tackifier) that was eligible for funding from the SCS and not the responsibility of FEMA.

According to 44 CFR 206.226(a), generally, disaster assistance will not be made available under the Stafford Act when another Federal agency has specific authority to restore facilities damaged or destroyed by a declared major disaster. Therefore, \$1,105 claimed by the Department for seeding costs on project number 06728 was questionable.

OTHER MATTERS

Finding F - Unreimbursed Labor Costs

FEMA and OES close out officials failed to consider all labor costs claimed by the Department for project 06279. The OIG found records supporting \$511,409 of labor costs that were submitted by the Department to FEMA for reimbursement (\$483,602 for overtime and \$27,807 for associated fringe benefits at 5.75 percent). However, these costs were not paid by FEMA due to inadvertent errors during the project close out process. During the process, various close out officials failed to identify the \$511,409 in labor costs in the documentation submitted by the Department, and Department officials failed to provide documentation in a timely manner to support the labor costs, when requested by close out officials. The OIG examined documentation relating to these unreimbursed costs and based on the rationale discussed in Finding A, determined that \$242,519 of that amount was unsupported, and as discussed in Finding B, \$6,808 was ineligible for FEMA funding. The remaining \$262,082 [\$511,409 minus (\$242,519 plus \$6,808)] was adequately supported and eligible for reimbursement by FEMA, had the following series of inadvertent errors not occurred:

- On April 24, 1994, the Department submitted documentation totaling \$3,034,377 to OES and FEMA close out officials for firefighter labor costs incurred during the October 1993 firestorms and FEMA awarded the Department \$2,522,968. The remaining \$511,409 was not awarded because the FEMA and OES inspection team failed to carry this amount/subtotal forward from the supporting documentation derived from the Department's electronic system to a summary Force Account Labor Record worksheet in the project file.
- On August 2, 1997, the Department requested supplemental funding in the amount of \$486,307 to cover the labor costs omitted from the original project.
- On August 26, 1997, OES requested the Department to provide a spreadsheet documenting and explaining the labor costs (with timesheets readily available for review by the inspection team).
- On September 16, 1998, FEMA close out officials approved final labor costs of \$2,487,606 on supplemental project 59578, which was \$35,362 less than originally awarded on project 06279. The close out narrative stated the Department had not provided the documentation requested by OES, on August 26, 1997, in support of \$494,811. Consequently, payment was not granted.

As shown above, the amounts of unreimbursed labor costs varied between the OIG's review (\$511,409), the Department's request for supplemental funding (\$486,307), and FEMA close

out (\$494,811). We could not reconcile these variances due to the unavailability of pertinent correspondence files at the Region, OES, and the Department. Nonetheless, the audit determined that \$262,082 of the amount not carried forward to the Force Account Labor Record worksheet in the project file was eligible for FEMA reimbursement.

This finding is provided for informational purposes only and does not suggest that additional funds be provided to the Department. The decision to disburse additional funds rests solely with FEMA Region IX based on a Department request to reconsider earlier funding denials.

RECOMMENDATION

The OIG recommends that the Regional Director, FEMA Region IX, in coordination with OES disallow \$771,853 of questionable costs.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

The OIG initially discussed the results of the audit with Department and OES officials on February 6, 2003. Department officials asked, and the OIG agreed to consider an alternative methodology for determining labor costs based on additional supporting documentation. OES deferred comment pending issuance of the final report. On March 26, 2003, the OIG informed the department of revised audit results and subsequently provided spreadsheets detailing the questioned costs. Numerous discussions with Department officials were held to answer questions concerning the spreadsheets. Ultimately, Department officials generally concurred with the findings and recommendation. The OIG also discussed the audit results with FEMA Region IX officials on June 19, 2003.

Please advise this office by July 21, 2003, of the actions taken to implement our recommendation. Should you have any questions concerning this report, please contact me at (510) 627-7011. Key contributors to this assignment were Brian Byrne, Trudi Powell, and Venetia Gatus.

Schedule of Large Projects Audited
 Los Angeles County Fire Department
 Public Assistance Identification Number 037-91028
 FEMA Disaster Number 1005-DR-CA

<u>Project Number</u>	<u>Amount Awarded</u>	<u>Amount Questioned</u>	<u>Finding Reference</u>
06279	\$2,487,606	\$743,524	A,B
06728	833,889	28,329	B,C,D,E,
06732	<u>721,830</u>	<u>0</u>	
Totals	<u>\$4,043,325</u>	<u>\$771,853</u>	

Legend

- A. Unsupported Labor Costs
- B. Ineligible Project Costs
- C. Unsupported Equipment Costs
- D. Duplicate Equipment Costs
- E. Costs Covered by Another Federal Agency